

Message Text

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SUBJECT: MARKET BRIEF: POTENTIAL FOR AUTOMOTIVE SERVICE EQUIPMENT
SALES

REF: TELCON - SCHNEIDER AND BINDENAGEL, FEB. 24, 1976

1. ALL AUTOMOTIVE SERVICE CENTERS IN KOREA ARE OPERATED IN ACCORDANCE WITH THE VEHICLE TRANSPORTATION LAW ADMINISTERED BY THE MINISTRY OF TRANSPORTATION. STRICT CONTROLS ON THE ISSUING OF LICENSES HAVE KEPT THE NUMBERS OF SHOPS IN EACH OF THREE CLASSES RELATIVELY SMALL. LIMITED OR NO MARKET EXISTS FOR LOCALLY PRODUCIBLE ITEMS SUCH AS HOISTS OR VALVE GRINDERS. GOOD PROSPECTS EXIST, HOWEVER, FOR ADVANCED TESTING EQUIPMENT, ANALYZING EQUIPMENT AND MACHINERY FOR THE FABRICATION OF AUTO SERVICE EQUIPMENT.

2. THE KOREAN AUTO SERVICE MARKET IS RELATIVELY NEW AND HAS YET TO BE ORGANIZED. THERE WERE 35,114 VEHICLES PRODUCED IN 1975 AND AS OF NOVEMBER 30, 1975 THERE WERE 200,000 REGISTERED AUTOMOBILES IN THE COUNTRY (TABLE 1). THERE ARE 636 AUTOMOTIVE MAINTENANCE SHOPS OF ALL THREE CLASSES WITH 221 IN THE SEOUL AREA (TABLE 2). EMPLOYMENT IN THIS SECTOR REACHED 20,000 AS OF JULY, 1975 (TABLE 3). THE THREE CLASSES OF MAINTENANCE SHOPS ARE RATED ON THE BASIS OF TECHNICAL CAPABILITIES FROM COMPLETE OVERHAUL CAPABILITY TO REGULAR LUBE AND OIL CHANGE. MOST OF THESE SHOPS UTILIZE OUTDATED, MANUAL EQUIPMENT INCLUDING BRAKE TESTING AND SPEED TESTING EQUIPMENT WHICH ARE LOCALLY PRODUCIBLE.

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3. THERE IS A GROWING DEMAND FOR MORE ADVANCED EQUIPMENT AS KOREA'S AUTO INDUSTRY SEEKS TO PENETRATE THE WORLD MARKET IN THE NEXT FEW YEARS. A BASIC PART OF THAT PLAN IS THE REQUIREMENT FOR QUALITY AFTER SERVICE. PRESENTLY THERE ARE FOUR AUTOMOBILE MANUFACTURERS IN KOREA -- GM KOREA, KIA INDUSTRIAL, HYUNDAI AND ASIA MOTORS. THE GOVERNMENT PROJECTS THAT BY 1980, 225,000 CARS WILL BE PRODUCED. WITH THIS IN MIND, AMERICAN EXPORTERS SHOULD TAKE EVERY ADVANTAGE TO PENETRATE THE MARKET AHEAD OF THE DEVELOPMENT OF LOCAL TECHNOLOGY AND FOREIGN COMPETITION.

4. COMPETITIVE CONDITIONS: GIVEN THEIR PROXIMITY AND ONE SIGNED TECHNICAL LICENSING AGREEMENT, JAPAN HAS THE ADVANTAGE OF GEOGRAPHY AND EARLY ENTRY AS WELL AS THE CULTURAL AFFINITY. U.S. SUPPLIERS WILL HAVE TO DEVELOP CLOSE WORKING RELATIONSHIPS WITH TRADING COMPANIES TO ENSURE GREATER SALES. HOWEVER, KOREANS WOULD PREFER TO DEAL WITH U.S. COMPANIES.

(TABLE 1)- VEHICLES REGISTERED IN KOREA, AS OF 11/30/75

	SEOUL AREA	OTHER AREA	TOTAL
1. PASSENGER CARS	47,859	35,994	83,853
A. KOREAN ASSEMBLED PASSENGER CARS	45,474	30,859	76,333
B. FOREIGN MADE PASSENGER CARS	731	763	1,494
C. JEEPS	1,654	4,372	6,026
2. BUSES	6,630	15,078	21,708
A. MICRO BUSES	252	357	609
B. BUSINESS BUSES	6,378	14,721	21,099
3. TRUCKS	28,395	54,269	82,664
AM CARGO TRUCKS	18,841	38,204	57,045
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B. DUMP TRUCKS	2,444	6,277	8,721
C. SPECIAL TRUCKS	1,458	2,906	4,364
D. THREE-WHEEL TRUCKS	5,652	6,882	12,534
4. SPECIAL VEHICLES	835	4,205	5,040
5. MOTORCYCLES			

(PLUS 160CC)	1,778	4,827	6,607
TOTAL	85,497	114,678	200,175

SOURCE: TECHNICAL INFORMATION FOR AUTOMOBILE INDUSTRY,
JANUARY, 1976 EDITION, PUBLISHED BY KOREA AUTOMOBILE
INDUSTRIAL COOPERATIVE.

(TABLE 2) - NO. OF AUTOMOBILE MAINTENANCE SHOPS IN KOREA
AS OF JULY 31, 1975

	SEOUL AREA	OTHER AREA	TOTAL
1ST CLASS AUTOMOBILE	126	180	306
MAINTENANCE SHOPS			
2ND CLASS AUTOMOBILE	83	215	298
MAINTENANCE SHOPS			
3RD CLASS AUTOMOBILE	12	20	32
MAINTENANCE SHOPS	-----	-----	-----
TOTAL	221	415	636

SOURCE: KOREAN AUTOMOBILE MAINTENANCE PROMOTION ASS'N.
(TABLE 3) - NO. OF EMPLOYEES IN KOREAN AUTOMOBILE MAINTENANCE
BUSINESS AS OF JULY 31, 1975

2ND CLASS AUTO	230	517	747
MAINTENANCE ENGINEER			
3RD CLASS SUTO	1,274	2,122	3,396
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MAINTENANCE ENGINEER			
SKILLED WORKER	4,030	5,009	9,039
UNSLILLED WORKER	1,214	2,974	4,188
OFFICE WORKER	809	1,336	2,145
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TOTAL	7,557	11,958	19,515

SOURCE: KOREAN ZUTOMOBILE MAINTENANCE PROMOTION ASS'N
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